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January 20, 1994

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Mr. William F. Caton  
Secretary of Federal  
Communications Commission  
1919 M Street, NW  
Washington, DC 20054

Re: Competitive Bidding - PP Dkt No. 93-253

Dear Mr. Caton:

This is to confirm pursuant to Section 1.1206 of the Commission's Rules that Leroy T. Carlson, Jr., President of Telephone and Data Systems, Inc. ("TDS"), Robert Weber, Warren Lavey, and I met with John Williams, Evan Kwerel, Kent Nakamura and Mark Martin of the Commission staff. The topics of discussion included positions previously presented in the Comments and Reply Comments of TDS in the above-referenced docket and the attached materials.

An original and one copy of this letter with attachments are submitted herewith. Copies of this letter and the attachments are being provided to the staff members involved. In the event that there are any questions concerning this matter, please communication with the undersigned.

Very truly yours,

  
George Y. Wheeler

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## Telephone and Data Systems, Inc.

### KEY POINTS ON PCS AUCTIONS

Telephone and Data Systems  
January 19, 1994

- I. TDS'S PCS BIDDING STRATEGY IS HIGHLY DEPENDENT ON HOW OTHER BIDDERS' STRATEGIES ARE MANIFESTED
  - A. TDS has extensive experience in developing telecommunications services and interconnecting with other carriers
    1. 94 local exchange carriers in 29 states serving 356,000 access lines, mostly in rural areas
    2. 132 cellular systems managed in 31 states serving 255,000 subscribers (United States Cellular Corp.)
    3. 28 paging systems in 14 states serving 461,000 subscribers (American Paging, Inc.)
  - B. TDS plans to be a mid-sized PCS carrier in selected markets
    1. In approaching PCS auctions, TDS has limited financial and information-gathering resources
    2. Importance of preferences for rural telephone companies
    3. Complementarities of licenses; TDS probably won't bid on the largest MTAs, but the identities of these licensees and values of these licenses will greatly affect TDS' valuation of other MTA and BTA licenses

- C. Valuation of licenses will be highly dependent on neighboring carriers (especially regional leaders) and competitors
  - 1. Sequence the auctions to identify firmly regional leaders and competitors prior to bids on other licenses
  - 2. With some sequencing, some simultaneity allows flexibility to cluster or choose among licenses
  - 3. Nationwide (combinatorial) licenses are harmful

## II. FLAWS IN SINGLE SIMULTANEOUS AUCTION

- A. Interdependence of bidding strategies
- B. Uncertainties in information flows regarding neighboring carriers, competitors and values
  - 1. Bid withdrawal
  - 2. Laying back
- C. Information overload from round to round with 2,600 licenses simultaneously auctioned
- D. Increases possible inefficiencies
- E. Increases "winner's curse" problem and may reduce auction revenues

## III. TDS' PROPOSAL FOR PCS AUCTIONS: HYBRID SEQUENTIAL/SIMULTANEOUS AUCTIONS

- A. Proposal was described in detail in TDS' comments and reply comments
- B. Sequence and groupings for simultaneity are rational and economically sound
- C. MTA licenses (Blocks A and B)
  - 1. Auction both licenses for each MTA simultaneously (decreases strategic guessing)

2. Auction licenses sequentially by MTA, from largest to smallest (identities of licensees for large MTAs and values of these licenses affect values of licenses for smaller MTAs)
  3. Auction MTAs before BTAs (identities of MTA licensees and values of these licenses affect values of BTA licenses)
- D. BTA licenses limited to designated bidders (Blocks C and D)
1. Auction both licenses for all BTAs in each MTA simultaneously (decreases strategic guessing and facilitates efficient combinations)
  2. Auction licenses sequentially by MTA, from largest to smallest (information flows for subsequent auctions; manageable number of licenses simultaneously auctioned which avoids information overload)
  3. Allow combinational bids within each MTA
- E. Other BTA licenses (Blocks E, F and G)
1. After competing auctions for Blocks A-D, with simultaneous groupings and sequencing as for Blocks C and D
  2. Apply bidding preferences for designated bidders
- F. No nationwide combinatorial bids; but, if allowed, select two nationwide licensees or zero (not just one)
1. Reduces number of independent operators, retards development of technologies and services, and increases potential for anticompetitive conduct
- G. Bell Atlantic, CTIA, Telocator and Pagemart, among others, also support a hybrid sequential/simultaneous auction procedure